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HOUSE OF REPRESENTATIVES
STATE OF MICHIGAN

HOWARD C. WALKER

104TH DISTRICT
Farmland Preservation HB 4257
5-3-05

APPROPRIATIONS
SUBCOMMITTEES:
DEPARTMENT OF
NATURAL RESOURCES, CHAIR
AGRICULTURE, VICE-CHAIR
STATE POLICE/MILITARY AND
VETERANS AFFAIRS, VICE-CHAIR

1. Fixed Contract Period: P.A. 116 model, 20 year time period, minimum 10 year renew.
2. Flat Tax on per acres basis of \$5 per acre for areas that qualify (see #3)
3. Financial Contribution
 - PA 116 Income Tax Return type system.
 - i. Farmer pays property taxes to locals and State, then claims a credit and/or gets reimbursed by the state for property taxes paid above the flat rate.
4. Local Participation/Decision Making
 - Dept of Ag has oversight and authority
 - Any Agriculture property located in a local jurisdiction which participates in a comprehensive land use plan is eligible to participate in the program.
 - (Language taken from the Agriculture Preservation Fund Standards, Guidelines, and Application Process guide.)
5. Early Withdrawal Option – Early Buy Out
 - a. Option to Buy Out remaining years:
 - i. Year 10 buy out for 7% True Cash Value
 - ii. Year 15 buy out for 5% True Cash Value
 - iii. 90 day window to exercise early out option
 - iv. Buy out \$ goes to State PDR program (Ag Preservation Fund), for PDR in jurisdiction where conversion occurred.
6. Effective Date
 - a. 1/1/06 for state and local fiscal reasons
7. Minimum Lot Size Surrounding Homestead:
 - a. Homestead (Principle Residence MCL 211.7cc) or anything that could classify as homestead and surrounding property up to minimum lot size per zoning excluded from the definition of farmland.
9. End of Contract Period
 - a. PA 116 model, End of term, repay last 10 years benefit gained plus 6% SIMPLE interest
 - b. (Directed into the AG Preservation Fund)
 - c. Renew for 10 years, claim no credit, and have no payback burden.
10. Disclosure language: Owner of the property at the time of Early Withdrawal option or at the end of Contract is obligated to pay any recaptured monies.

Supported By: MI Farm Bureau, MI Chamber, MI Twps Assoc., MI Assoc. of Counties, MI Home Builders Assoc., MI Assoc. of Realtors, MI Land Use Institute.

Standing Agricultural Committee

Re: Farmland Preservation and Proposal A

I would like to address the issue of the ramifications proposal A has had on Michigan's farms. Ever since this tax law took affect, farmers have had to pay increased property tax rates yearly, bearing an inordinate financial burden because of the land mass need for agricultural production. This is added to the financial pressures from low commodities prices in the marketplace.

While PA 116 and other farmland preservation programs are notable forms of preservation for farmers to take advantage of, there is not enough funding, and not enough public awareness of these programs. If it's true that only \$3,000,000 will be appropriated this year for farmland preservation programs, clearly this will not resolve the problem of the rapid conversion of farmland into other uses such as residential development.

The real nexus is that farmers shouldn't have to be forced to sell their land because of being taxed into bankruptcy, and what guarantee is there that participation in PA 116 will not result in future "takings" by government- and industry-fostered projects.

The other problem farmers are facing is that local government Home Rule allows for municipalities to eliminate all agricultural zoning, without the vote or will of the people in a community.

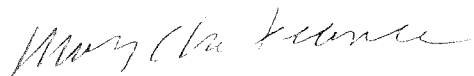
My community of Brownstown Township in Wayne County, removed all agricultural zoning in the 1960's without a vote, and they didn't even offer tax relief to the community, which was primarily made up of farmers. The township told residents that they were no longer classified as farms unless they had 40 acres.

The problem is now in 2005, active farms cannot apply for farmland preservation grants without agricultural zoning, and it will be difficult to make a case for the Township to enable a zoning district. Additionally there is a fee of \$2000 to apply for a zoning change.

The closer residential housing programs encroach onto agricultural land, the easier it is for developers to run the farmers out. This is not helping Michigan's farming economy and creates a housing glut, while our core urban areas continue to decay.

It is time for tax reform. If Michigan wants to remain a leading agricultural producer in the United States we must address this tax problem. Land being viewed as its "highest and best use", which translates to development prospects rather than current use, is causing many of Michigan's farms to fail.

Sincerely,



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